

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of Application of The
Ponderosa Telephone Co. (U 1014 C) to
Review Intrastate Rates and Charges,
Establish a New Intrastate Revenue
Requirement and Rate Design, and
Modify Selected Rates.

Application 16-10-001
(Filed October 3, 2016)

PROTEST OF THE OFFICE OF RATEPAYER ADVOCATES

I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") files this timely protest to Application ("A.") 16-10-001 of the Ponderosa Telephone Company ("Ponderosa"). Ponderosa's Application seeks authorization to establish a new intrastate revenue requirement and rate design.

Ponderosa filed its Application on October 3, 2016. This protest is timely filed pursuant to the schedule set forth in the Rate Case Plan, D.15-06-048.

In its Application, Ponderosa requests to draw from the California High Cost Fund –A ("CHCF-A"). The CHCF-A was implemented in accordance with Public Utilities Code § 275.6 to provide universal service rate support to small independent telephone corporations that could then provide their customers telephone service in rural areas that is reasonably comparable to that in urban areas, and to facilitate deployment of broadband service. The California High Cost Fund-A program is a corporate subsidy program supported from surcharges applied to voice services only and the program currently has a surcharge rate of 0.35%.¹ As of August 25, 2016, the 2016-2017 CHCF-

¹ <http://www.cpuc.ca.gov/General.aspx?id=1124>

A program budget is \$43.4 million with a statewide average subsidy per CHCF-A line of approximately \$815 per year,² which is more than five-times higher than the CHCF-B fund subsidy of \$145.³

II. APPLICATION

In its Application, Ponderosa requests that the Commission adopt an intrastate revenue requirement of \$13,993,453 for test year 2018. This figure is based on \$8,818,395 in anticipated regulated expenses and property taxes, a return on rate base of \$3,172,643 at a 13.85 percent rate of return, and forecasted tax liabilities of \$2,002,415. Ponderosa's proposed 2018 revenue requirement and forecasted revenues would result in a CHCF-A draw for test year 2018 of \$5,491,829 compared to the approved 2009 draw of \$3,792,252 per Commission Resolution T-17297.

III. GENERAL ISSUES

ORA is conducting the necessary examination of Ponderosa's testimony and work papers, consistent with the statutory requirement that "all charges demanded or received by any public utility...shall be just and reasonable."⁴ ORA is also conducting discovery to clarify information provided in Ponderosa's Application and to obtain further supporting documentation regarding underlying assumptions and calculations to ensure that the Company's requests are just and reasonable.

The following provides a non-exhaustive identification of issues ORA intends to examine and address in its testimony before the Commission:

1. Ponderosa's proposed rates show a 13.58%⁵ increase for Individual Access Line-Residential customers and a 13.64%⁶ increase for Individual Access Line-Business customers.
2. Ponderosa is also proposing an increase in LifeLine rate from \$6.11 to \$7.05.

² CHCF-A Fact Sheet at <http://www.cpuc.ca.gov/General.aspx?id=991>.

³ CHCF-B Fact Sheet at <http://www.cpuc.ca.gov/General.aspx?id=989>.

⁴ Public Utilities Code Section 451.

⁵ Current rate for A-1 Access Line Service (Residential) is \$20.25; proposed rate for 2018 is \$23.00.

⁶ Current rate for A-4 Public Access Line Service (Business) is \$30.05; proposed rate for 2018 is \$34.15.

3. Ponderosa's proposed increase in its A-Fund subsidy/draw is approximately 45% higher than its draw established in its last general rate case.
4. Ponderosa's subsidy is approximately \$748 per line per year, based on projected 2018 data.
5. Ponderosa's Total Company Corporate Expenses for test year 2018 is \$2.52 million. In ORA's initial review this amount exceeds the Federal Communications Commission's limits adopted in Commission decision D.14-12-084.
6. Ponderosa's overall service quality for voice and broadband pertaining to safety and reliability.
7. Ponderosa proposes a new depreciation study with generally lower rates; therefore, Ponderosa is reevaluating existing plant service lives.

The above items represent a general summary of the issues ORA has preliminarily identified within the Application. As discovery proceeds, other issues will likely arise and ORA reserves the right to address such issues in its testimony.

IV. PUBLIC PARTICIPATION HEARINGS

ORA opposes Ponderosa's proposed schedule to move public participation hearing (PPH) dates to day 200 from the date of the filing. Public participation hearings are an essential way for ORA to gather information as input for its testimony on issues ranging from rates to quality of service, public safety, and other concerns that ratepayers may have. To address Ponderosa's concern that those attending the PPH will not have ORA's testimony proposing rates that may be different from the utility's, ORA suggests that Ponderosa include in its customer notices for the PPH a statement indicating that the Commission has established \$30 to \$37 as the reasonable range for an all-inclusive rate for telephone service.⁷ Customers would then be properly noticed that rates can go as high as \$37 and they can provide input during the PPH as to the reasonableness of potential rates.

⁷ Ordering Paragraph 9, D.14-15-084.

V. CATEGORIZATION AND PROPOSED SCHEDULE

ORA agrees with Ponderosa's categorization of this proceeding as ratesetting and that the revenue requirement and rate design issues involved in this case may require evidentiary hearings.

Below, ORA's proposed adjusts for weekends and holidays, staggering schedule across the four Group B general rate cases and any potential delays in discovery process. Ponderosa has requested extensions of time to respond to ORA's data-requests and has generally suggested that it also anticipates regularly needing more time for responses than the time frames that have been applied in the outstanding data requests.

Delays in responding to those requests will delay the discovery process. As a result, ORA will require additional time in the schedule for this case. In addition, ORA has just one team of analysts working on three different rate cases – Ponderosa, Calaveras (A.16-10-002), and Cal-Ore (A.16-10-004). As such ORA requests a staggered schedule to allow the team time to properly prepare its filings in each case.

ORA Proposed Schedule – Ponderosa

Benchmark/Timeline	Day- Rate Case Plan	Proposed Date
Utility Application Testimony Filed	0	10/03/2016
Protests Filed	30	11/02/2016
Utility Response to Protest	40	11/14/2016
Prehearing Conference	60	12/2/2016*
Public Participation Hearing (PPH)	0-150	week of Jan. 23
ORA/Intervenor Testimony	150	3/9/2017
Utility Rebuttal Testimony	180	4/10/2017
Evidentiary Hearings (week of)	210	5/8/2017
Opening Brief	250	6/23/2017

Reply Brief	271	7/14/2017
PD Mailed	331	9/12/2017
Comments on PD	351	10/2/2017
Commission Meeting	361-390	Oct - Nov

* ORA is proposing prehearing conferences for Ponderosa and Sierra Telephone Company on December 2, 2016, wherein one company can hold its prehearing conference in the morning, followed by the second prehearing conference for the other company in the afternoon.

VI. CONCLUSION

Ponderosa's Application includes numerous requests with direct impacts upon rates, charges, and A-Fund subsidies. The reasonableness of the assumptions and the accuracy of the calculations underlying the requests must be thoroughly reviewed to ensure that the requested relief is just and reasonable. Although ORA is hopeful that resolution of many of the disputed issues can be achieved through settlement negotiations, evidentiary hearings may be required, and a schedule should be established to accommodate thorough examination of the Application.

Respectfully submitted,

/s/ CHRISTA SALO

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